Sea Enterprise

Right *Force*
Right *Readiness*
Right *Cost*

Sea Power 21

Projecting decisive joint capabilities!

Resourcing tomorrow's fleet!

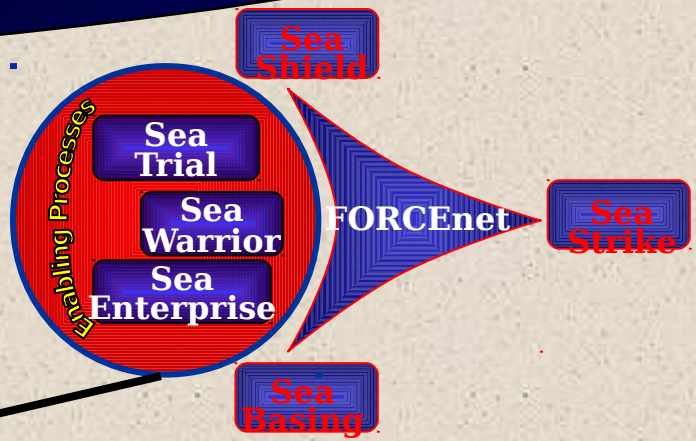
30 Mar 04

Mr. Mark Honecker
Director
Logistics Planning & Innovation

Sea Enterprise
Questions?

- **What is *Sea Enterprise*?**
- **Why *Sea Enterprise*?**
- **How is the Navy approaching *Sea Enterprise*?**
- **What's changing with *Sea Enterprise*?**

What is Sea Enterprise?
Sea Power 21



SEA ENTERPRISE

Resourcing Tomorrow's Fleet…optimum resource allocation, increased productivity, enhanced procurement

- **Identify & harvest efficiencies**
  - **Divest non-core functions**
  - **Organizational streamlining**
  - **Manpower reduction through technology insertion and process alignment**
- **Fund future readiness**
  - **Enhanced investment in warfighting capabi**
  - **Accelerate transformation**
- **Inculcate culture of productivity**

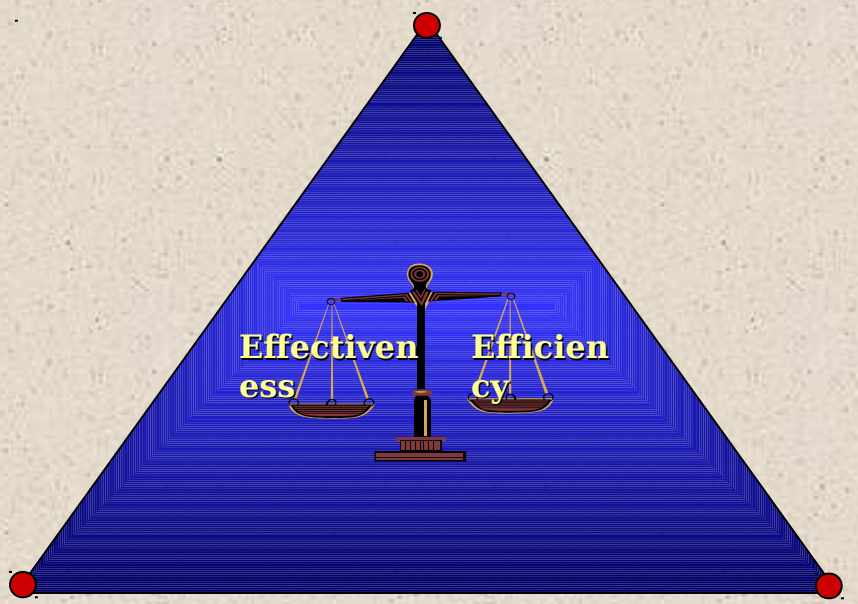
Sea Enterprise

Right Force… *Right Readiness…* *Right Cost…*

What is Sea Enterprise?
Balancing our Priorities

Right Force

"Transforming our force must occur within existing resources."



Right Readiness

***"Our focus must be on readiness and productivity…
readiness at any cost is not the answer."***

Right Cost

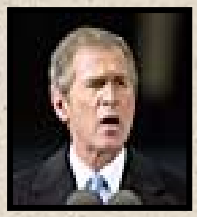
"Allowing costs growth at the rate of inflation is not an option."

Delivering maximum return on taxpayer investment!

Right Force… Right Readiness… Right Cost…

Why Sea Enterprise?
#1. Our Leadership is Demanding It!

What Are Our Leaders Saying?



"...transforming the military. What is different today is this sense of urgency: The need to build this future force while fighting this present war. It is like overhauling a car engine while you are going 80 miles an hour."

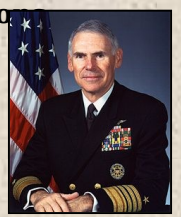
George W. Bush
President of the United States

"We simply have to transform this place. It is every bit as important to the success of the global war on terrorism as the other things we're doing."

Donald B. Rumsfeld
Secretary of Defense

"...this is a time of transformation – one because the leadership in government has dictated it, and two I've already defined it, a great deal of change is going to take place whether anybody has mandated it or not."

ADM Vern Clark
Chief of Naval Operations



"The business of 'I need, I want, I gotta have,' and the endless list of requirements that are foisted and passed up the line to D.C. with some great expectation that Santa Claus will arrive tomorrow is not going to cut it. We need to start making some hard decisions down here!"

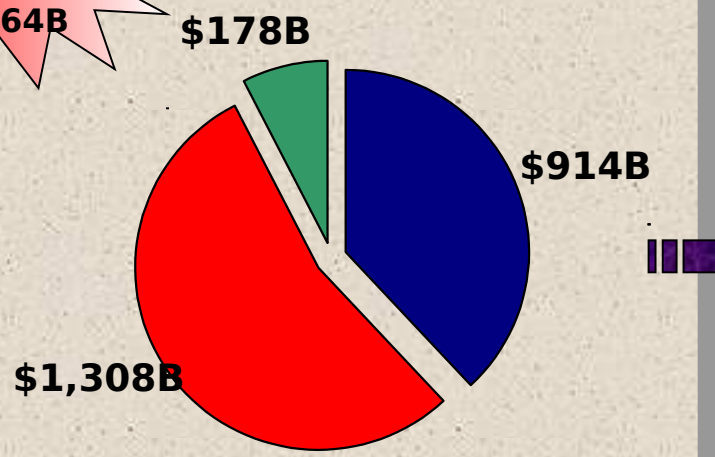
ADM William J. Fallon
Commander Fleet Forces Command

Why Sea Enterprise?
#2. Right for the Taxpayer!

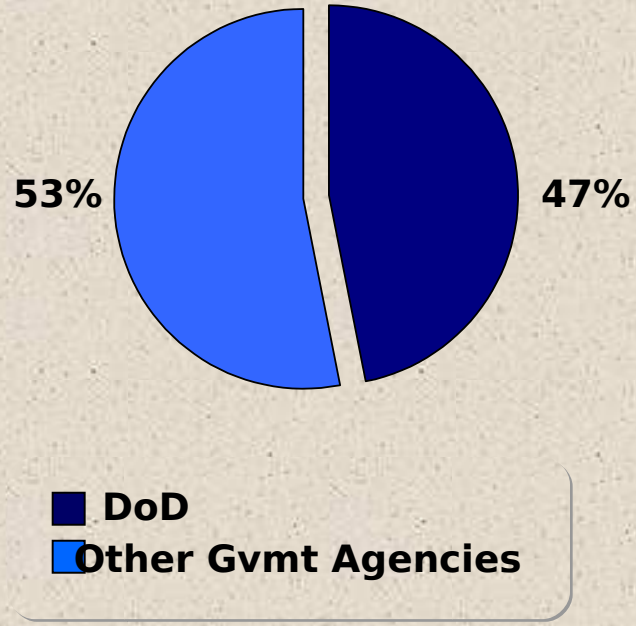
Competing Priorities:
- Rebuilding Iraq
- Homeland Security
- Infrastructure
- Prescription Drug Plan
- Social Security

FY 2005 Deficit ~$364B

FY 2005 Federal Budget $2,400B



FY 2005 Discretionary Funding $914B



Right Force... *Right Readiness...* *Right Cost...*

Why Sea Enterprise?
#3. Right for our Sailors!

Years of under investment in new acquisition/ modernization…

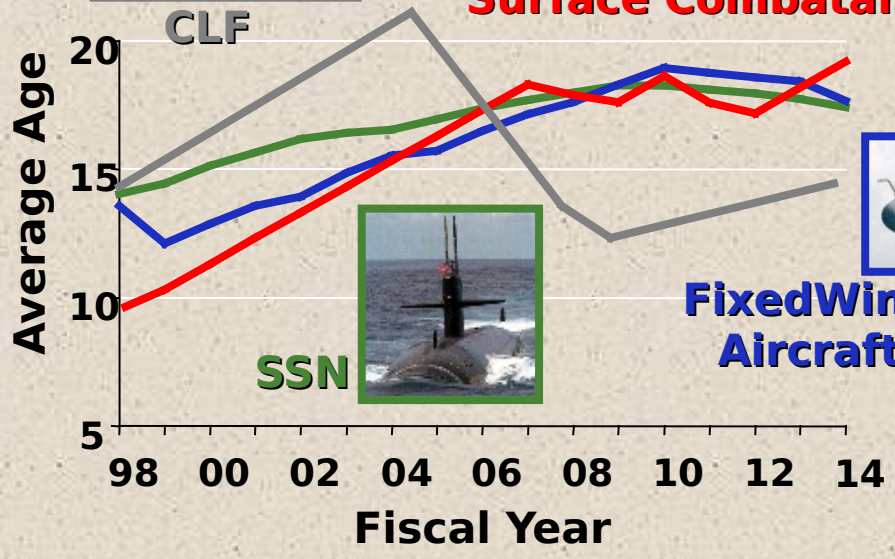
CLF

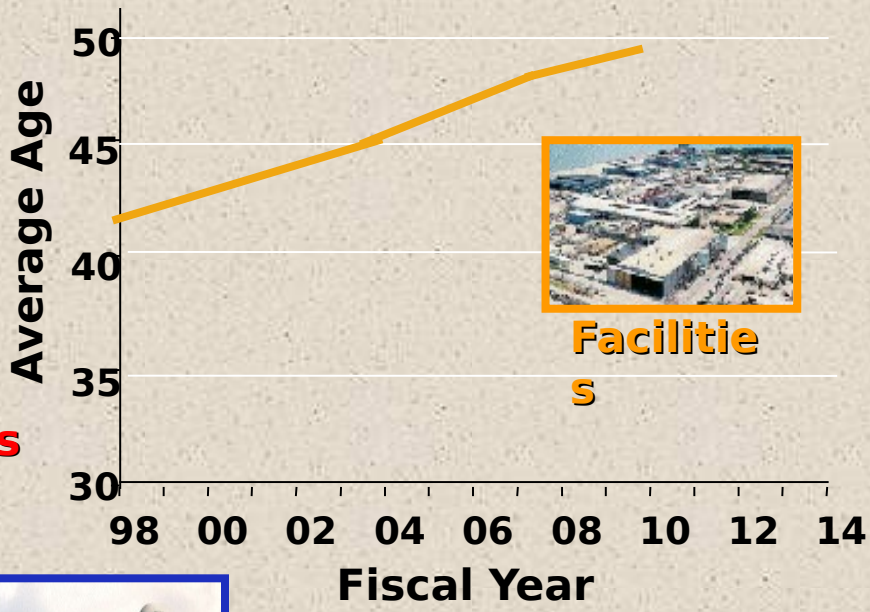
Surface Combatants

SSN

FixedWing Aircraft

Facilities



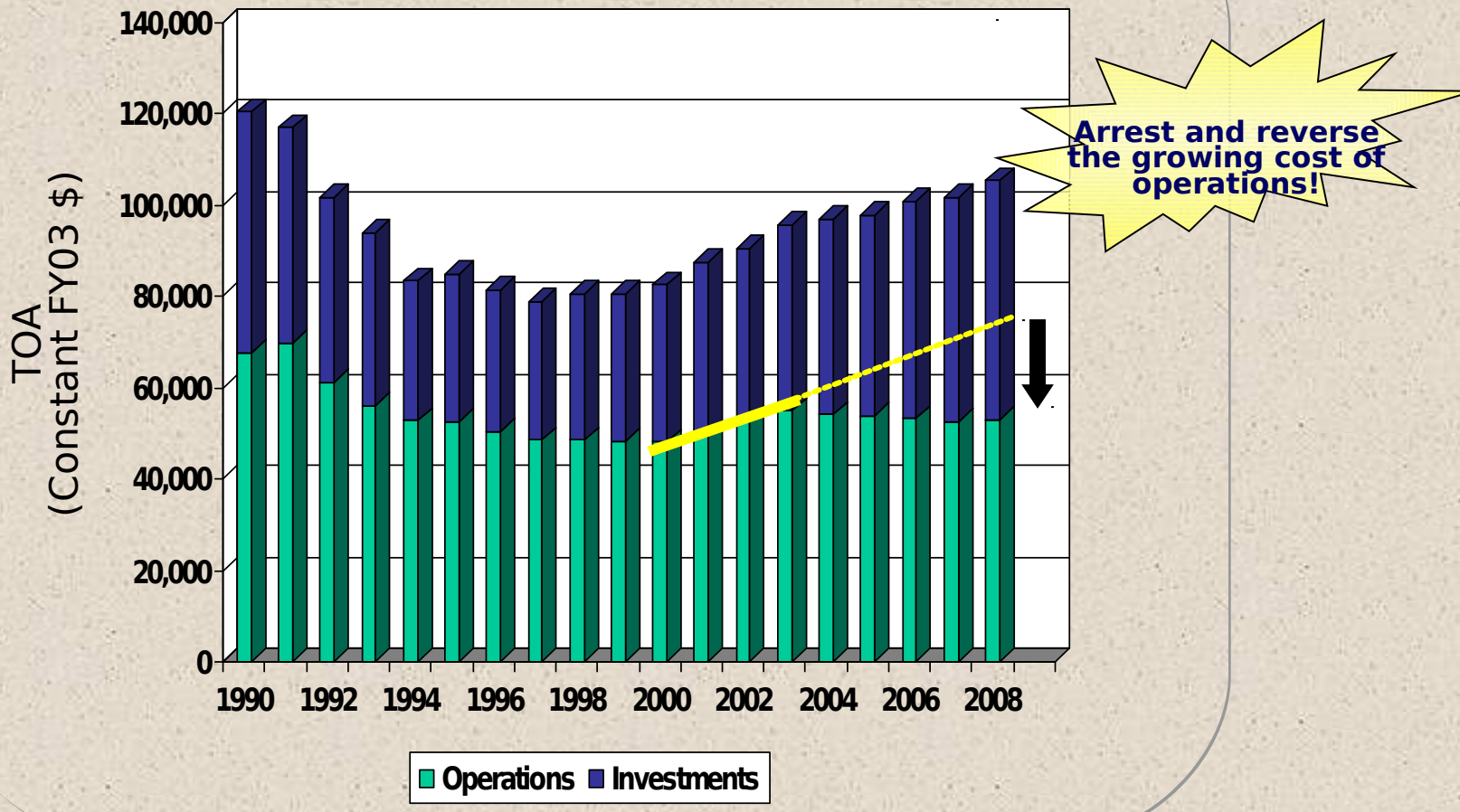


…Results in aging Force Structur

Right Force… *Right Readiness…* *Right Cost…*

Why Sea Enterprise?
#4. Right for our Navy!

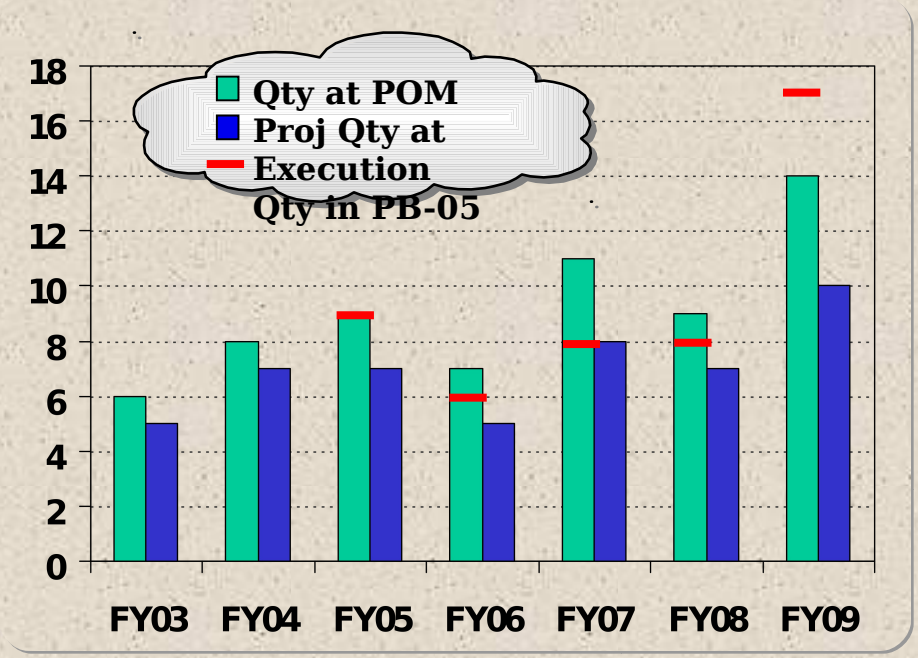
Operations vs. Investments



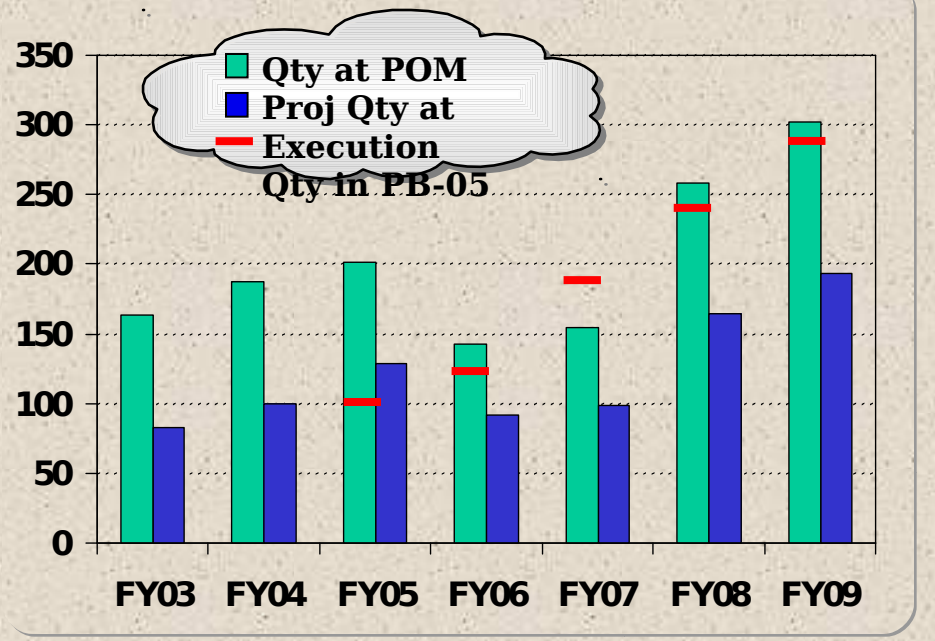
Why Sea Enterprise?
#4. Right for our Navy!

Planned vs. Procured

Ship Construction



Aircraft Procurement



History says 26% reduction in quantity

History says 36% reduction in quan

Right Force... *Right Readiness...* *Right Cost...*

How is the Navy Approaching Sea Enterprise?

Strategic Imperatives

#1: Change Culture/Behaviors

- Readiness & productivity
- Execution & accountability
- Enterprise focus
- Align incentives
- Communicate the vision

#2: Improve Structures and Processes

- Leverage existing initiatives
- Identify better ways of doing business
- Focus metrics…drive performance

#3: Harvest Savings

- Savings targets
- Enhance financial flexibility (e.g., 2-yr OM&N, escrow account)

How is the Navy Approaching Sea Enterprise?
Execution Focus

"Fewer than 15 of the 100 or more companies I have studied have successfully transformed themselves!"

John P. Kotter
Author, *Leading Change*

Planning (PPBES) → **Managing the Plan**
- Ensure Execution
- Decision Making Process
- Policy Generation

→ **Product**

Leading Execution *

- **Execution…**
  - Is a discipline, and integral to strategy
  - Is a major job of a leader
  - A core element of an organization's culture
- **Need to "operationalize" our culture**
  - Don't think ourselves into a new way of acting…
    act ourselves into a new way of thinking!
- **"Strategies most often fail because they aren't executed well."**

CNO Leadership
- Policy
- Structure
- Mechanisms

Product…
Right Force
Right Readiness
Right Cost

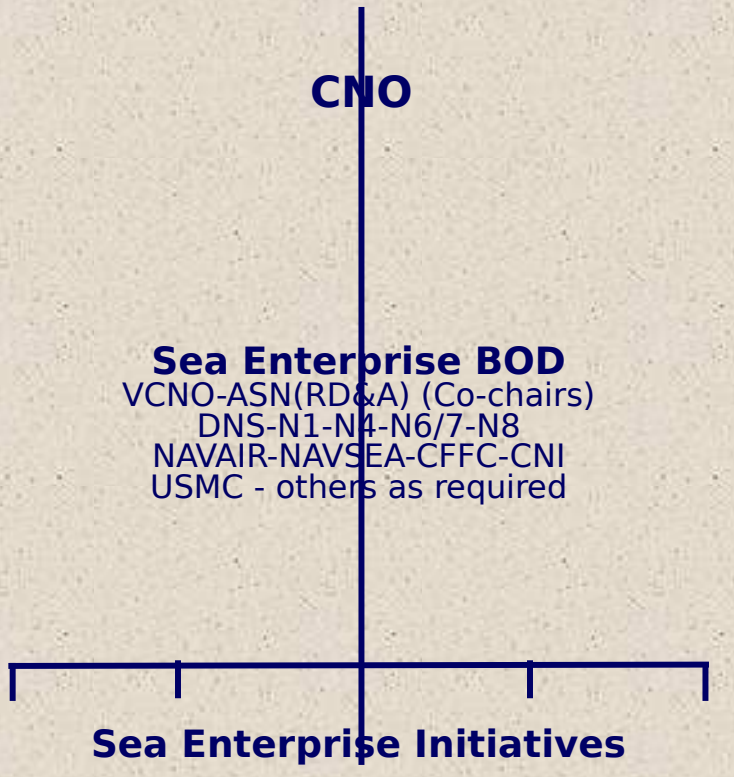
"Follow-through is the cornerstone of execution…"

Excerpts from EXECUTION: The Discipline of Getting Things Done (Bossidy/Charan)

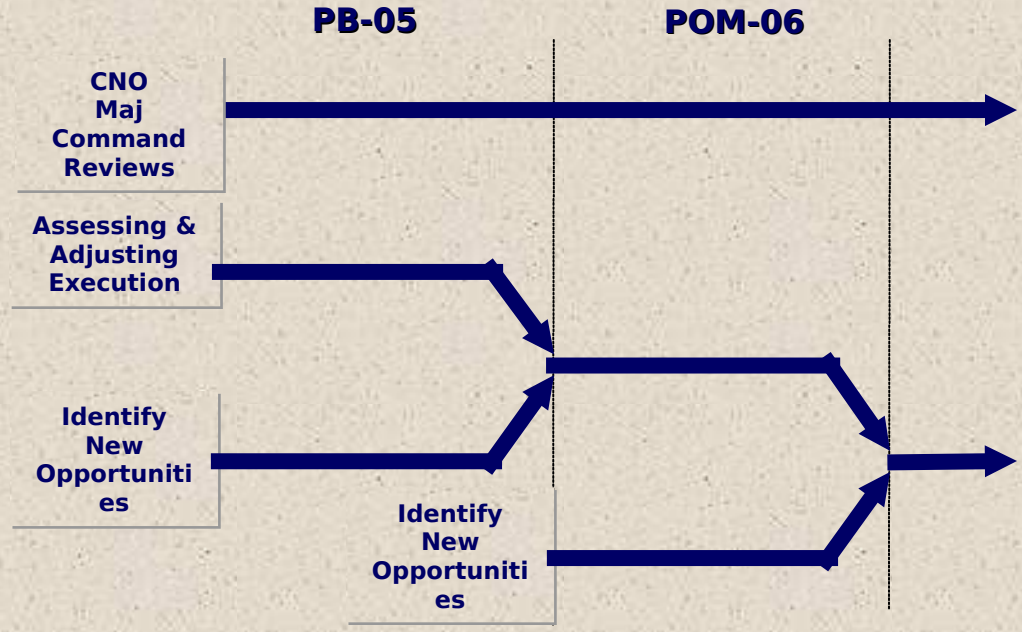
Right Force… *Right Readiness…* *Right Cost…*

How is the Navy Approaching Sea Enterprise?
Governance/Process

Governance



Process



Senior Navy Leadership driving innovation and execution!

Right Force... *Right Readiness...* *Right Cost...*

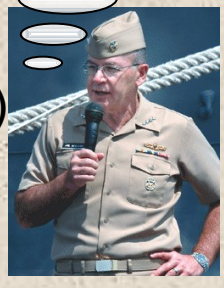
How is the Navy Approaching Sea Enterprise?
CNO Echelon II Reviews - Feedback

CNO talks about…..

- *Sea Enterprise* essential to *Sea Power 21*
- Leader's job is to accomplish mission and control costs
- Enhancing productivity
  - Understanding and controlling costs
  - Defining and measuring output
- Trading off risk vs. capabilities
- Maximizing ROI
- Can no longer afford:
  - Costs growing at the rate of inflation
  - Readiness at any cost

$$\text{Productivity} = \frac{\text{Output}}{\text{Cost}}$$

"Our focus must be on getting the Right level of readiness at the Right cost so we can afford the Right force for our future Navy"



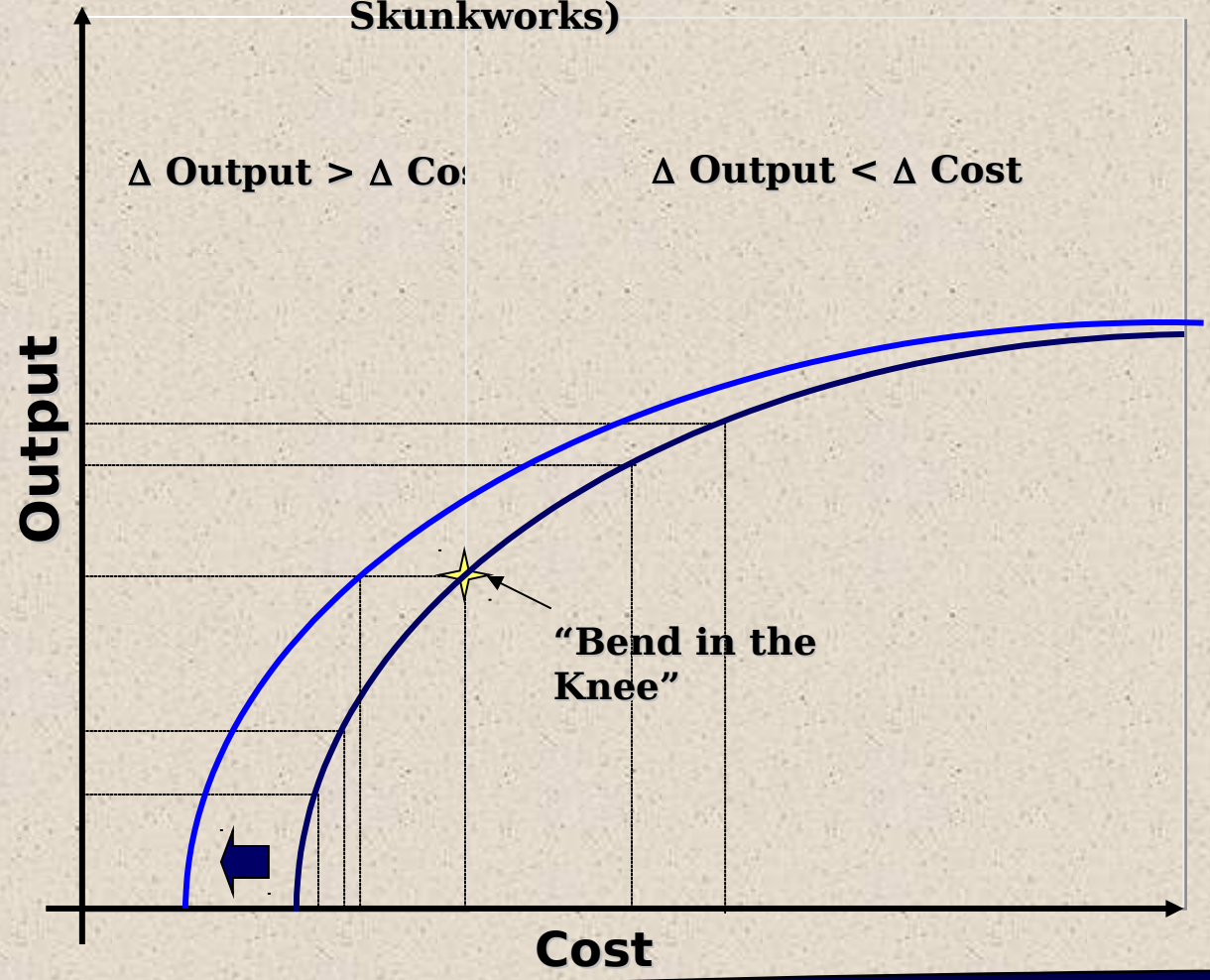
CNO focuses on…..

- Alignment (leadership, organizations, authorities)
- Where are the "humanoids"?
- HR strategy…right mix Civ/MIL/Ktr
- Barriers to efficiency
- Output metrics and ROI
- Right output/right cost/right risk?
- "Skunkworks" ideas

How is the Navy Approaching Sea Enterprise?

CNO Echelon II Reviews - Productivity

1. Diminishing Returns (Right Shifting)
2. Shifting the Curve (Right Cost… Skunkworks)



How is the Navy Approaching Sea Enterprise?

CNO Echelon II Reviews – Status Report

Where we've been:

- ✓NAVFAC(2x)
- ✓MSC
- ✓BUMED(2x)
- ✓NETC(2x)
- ✓CNR-Southeast
- ✓NAVSEA(3x)
- ✓NAVSUP
- ✓NLSO
- ✓NAVRESFOR
- ✓CNI
- ✓NPS
- ✓CNP
- ✓ONI
- ✓CPF
- ✓CNR-Hawaii
- ✓SPAWAR
- ✓CNR-Southwest
- ✓NAVAIR(2x)
- ✓CNATRA
- ✓CNR-South
- ✓CFFC

Where we're going:

- ❑NAVSUP Follow-up Apr 04
- ❑CNP Follow-up Apr 04
- ❑MSC Follow-up May 04
- ❑NLSC Follow-up Jun 04
- ❑WESTPAC Jun 04
- ❑Europe Jul 04

What we've found:

Organization
- Alignment w/Sea Enterprise
- Leadership Alignment (Internal)
- Streamlined Organization
- Process for Innovation/"Skunkworks"

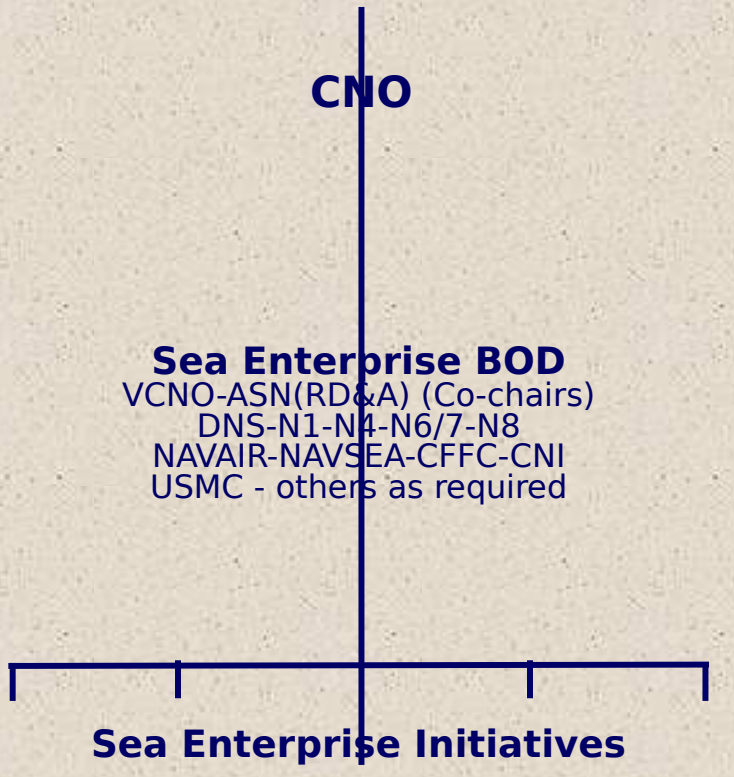
People
- Knows Where the People Are
- Reserve Utilization
- Core/Non-core
- HR Strategy

Money
- Understands Cost of Business Lines
- Controls Costs
- Uses ROI to Make Decisions

Culture
- Culture of Readiness
- Culture of Productivity
- Uses Metrics to Monitor Performance
- Uses Metrics to Manage Performance
- Understands/Accepts Risks
- Challenges Assumptions (Internal)
- Challenges Assumptions (External)
- Senior Leaders Engaged in Execution
- Applies Best Practices/Benchmarking

How is the Navy Approaching Sea Enterprise?
Governance/Process

Governance



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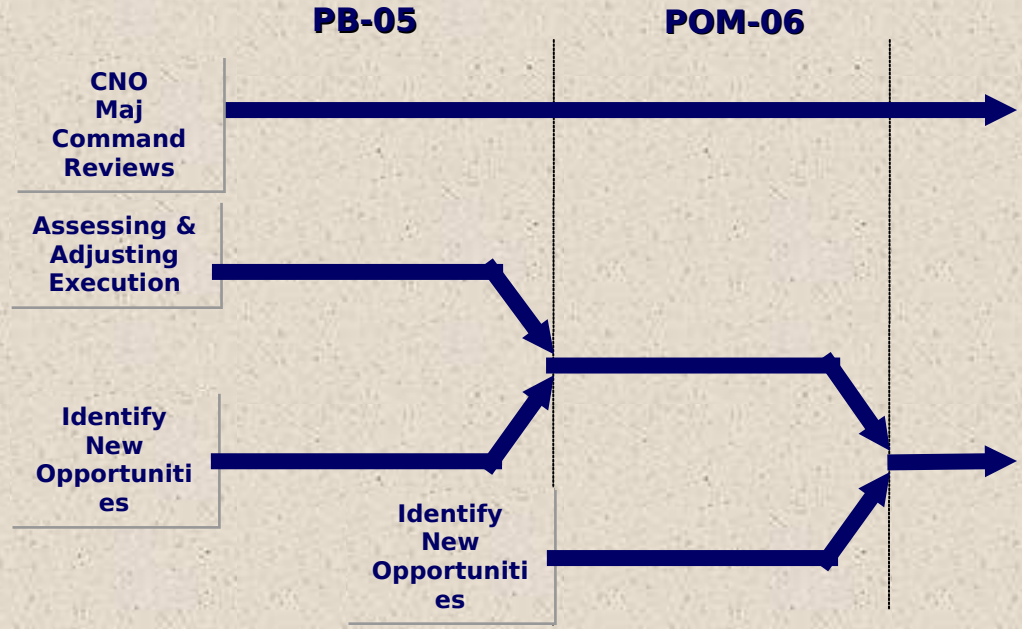
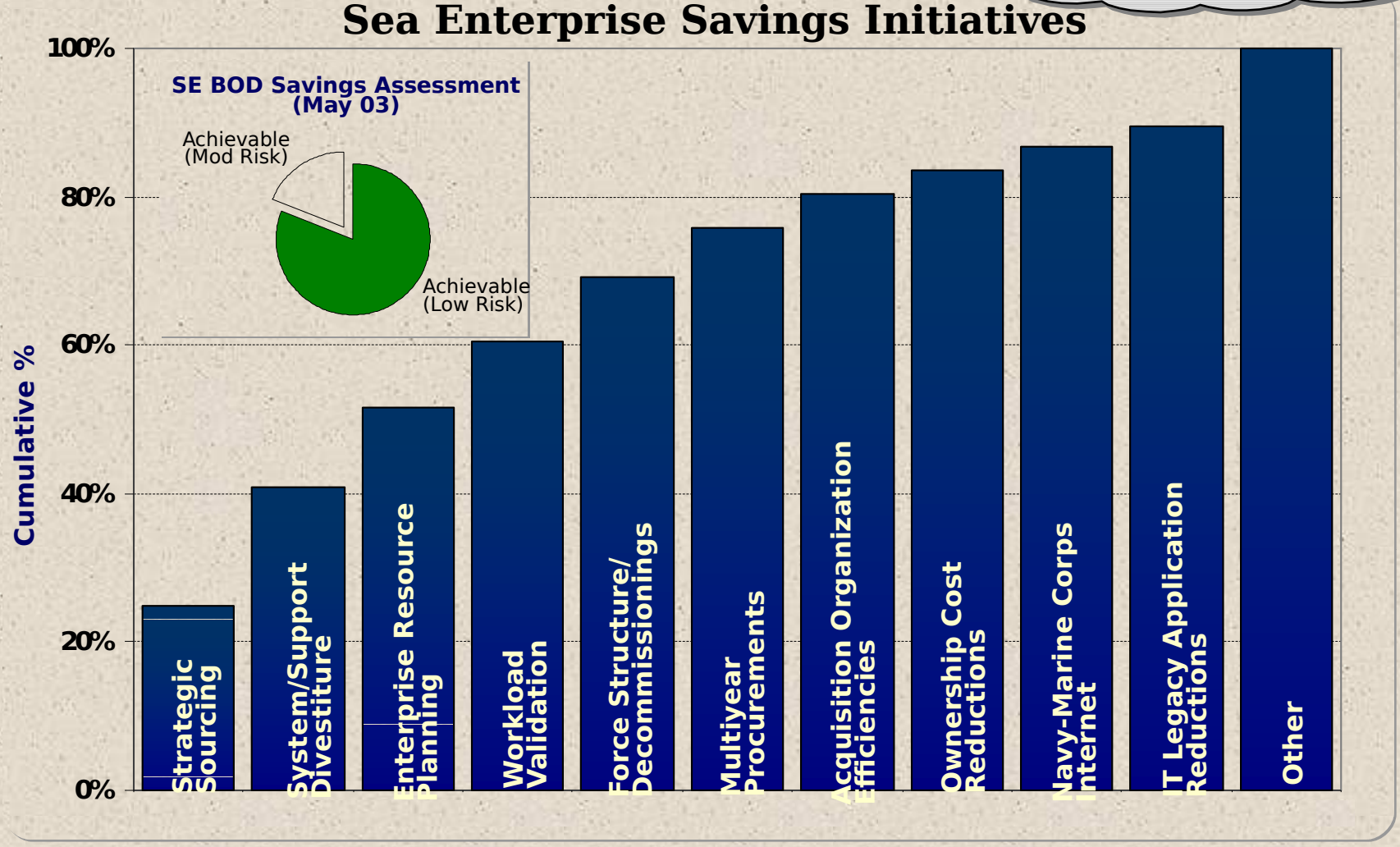


Senior Navy Leadership driving innovation and execution!

How is the Navy Approaching Sea Enterprise?

Sea Enterprise Initiatives

Ensuring execution of ~$40B in programmed savings initiatives



Right Force... Right Readiness... Right Cost...

How is the Navy Approaching Sea Enterprise?
Target Approach

- **Disciplined method to identify FYDP savings**
  - Consistent with CNO guidance
    - Identify underlying enterprise costs
  - Echelon IIs drive results
- **Ground rules**
  - Single target assigned at Echelon II level
    - Replaces multiple targets for LOE, manpower, disinvestments
  - Echelon II allowed full latitude to identify savings opportunities
    - Real savings is goal vice cost avoidance
  - "Fixed Costs" are exempted
  - SE BOD/2 Star Panel serve as clearinghouse for proposals
    - Risk assessed, budget detail provided

Executing commands assume larger role in risk decision making!

What's Changing with Sea Enterprise?
Assessment

Internal Use Only

Level	Kotter's "Eight-Stage" Process							
	1	2	3	4	5	6	7	8
	Establishing a Sense of Urgency	Creating the Guiding Coalition	Developing a Vision & Strategy	Communicating the Change Vision	Empowering Broad Based Action	Generating Short Term Wins	Consolidating Gains & Producing More Change	Anchoring New Approaches in the Culture
Senior Leadership								
Mid-level Management								
Workforce								
Overall								

What's Changing with Sea Enterprise?

- ✓ **Enterprise-wide:**
  - Approach to transformation
  - View of targeted efficiencies
  - Decision-making
    - Resource allocation
    - Risk determination
- ✓ **Senior leaders engaged in execution**
- ✓ **Savings directed to recapitalization**

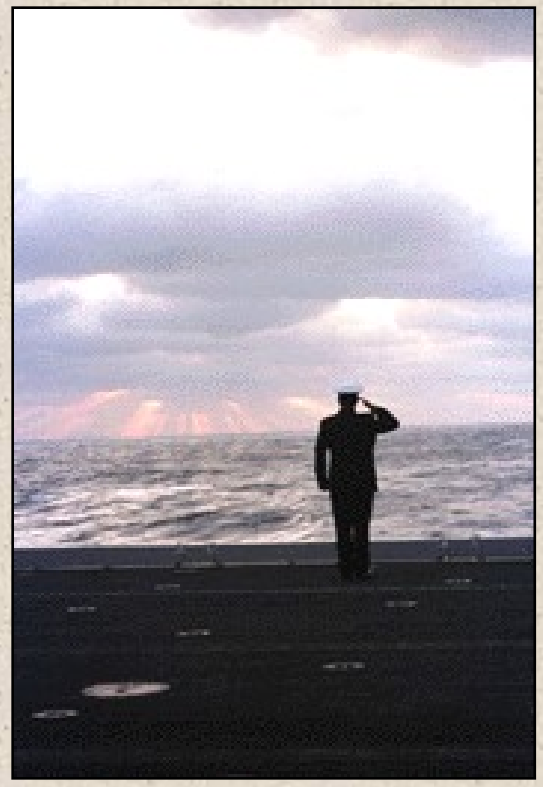
Sea Enterprise is a journey…we are well on our way!

Sea Enterprise
Your Role

- Embrace Sea Enterprise vision
- Challenge assumptions/encourage innovation
  - Maintain enterprise perspective
  - Discern between “wants” and “needs”
- Maximize productivity
  - Define and measure output
  - Understand, control and reduce cost
  - Trade-off risks vs. capabilities
- Drive execution to accomplish mission
  - Focus on product of the plan
  - Manage by metrics

Sea Enterprise is a journey…you need to lead!

Questions?



http://usn.hq.navy.mil/SeaEnterprise